

**REPORT OF THE AUDIT OF THE  
MARSHALL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MARSHALL COUNTY FISCAL COURT**

**June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Marshall County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions, based on our audit and the report of the other auditors, on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Marshall County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Marshall County's major federal program: Disaster Grants – Public Assistance (CFDA #97.036).

#### **Financial Condition:**

The fiscal court had net assets of \$17,201,538 as of June 30, 2009. The fiscal court had unrestricted net assets of \$6,607,296 in its governmental funds as of June 30, 2009, with total net assets of \$17,035,647. In its enterprise fund, total net cash and cash equivalents were \$165,891 with total net assets of \$165,891. The fiscal court's discretely presented component units had net assets of \$1,889,325 as of June 30, 2009. The discretely presented component units had net cash and cash equivalents of \$645,122. The fiscal court had total debt principal as of June 30, 2009 of \$8,112,223 with \$640,896 due within the next year.

#### **Report Comments:**

- 2009-01 The Fiscal Court Has A Deficit Of \$42,818 In The Payroll Fund Due To Paying The Sheriff's Payroll
- 2009-02 The Fiscal Court Lacks Of Adequate Segregation Of Duties
- 2009-03 Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes
- 2009-04 The Jail Commissary Failed To Submit Sales Tax To The Kentucky Department Of Revenue As Required By KRS 139.200
- 2009-05 Christmas Bonuses Totaling \$57,603 Were Paid To Marshall County Employees

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Marshall County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Marshall County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshall County Refuse Disposal District, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Marshall County Refuse Disposal District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Marshall County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
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The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2010 on our consideration of Marshall County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2009-01 The Fiscal Court Has A Deficit Of \$42,818 In The Payroll Fund Due To Paying The Sheriff's Payroll
- 2009-02 The Fiscal Court Lacks Of Adequate Segregation Of Duties
- 2009-03 Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes
- 2009-04 The Jail Commissary Failed To Submit Sales Tax To The Kentucky Department Of Revenue As Required By KRS 139.200
- 2009-05 Christmas Bonuses Totaling \$57,603 Were Paid To Marshall County Employees

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

July 8, 2010



MARSHALL COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

Mike Miller	County Judge/Executive
Jerry English	Magistrate
Terry Anderson	Magistrate
Bob Gold	Magistrate

**Other Elected Officials:**

Jeff Edwards	County Attorney
Roger Ford	Jailer
Diana McKendree	County Clerk
Carla Marshall	Circuit Court Clerk
Kevin Byars	Sheriff
Tony Henson	Property Valuation Administrator
Mitchell Lee	Coroner

**Appointed Personnel:**

Tim York	County Treasurer
Angie Murphy	Occupational Tax Collector
Emily West	Finance Officer
Gary Atkins	Road Supervisor
Jeff Daniel	911 Administrator
Laurie Ford	Jail Administrative Assistant/Bookkeeper

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**MARSHALL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**MARSHALL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Marshall County Refuse Disposal District</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 6,592,296	\$ 165,891	\$ 6,758,187	\$ 645,122
Total Current Assets	6,592,296	165,891	6,758,187	645,122
Noncurrent Assets:				
Notes Receivable	15,000		15,000	
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	2,062,232		2,062,232	613,965
Buildings	10,800,469		10,800,469	132,167
Vehicles and Equipment	2,224,122		2,224,122	517,523
Infrastructure	3,453,751		3,453,751	
Total Noncurrent Assets	18,555,574		18,555,574	1,263,655
Total Assets	25,147,870	165,891	25,313,761	1,908,777
<b>LIABILITIES</b>				
Current Liabilities:				
Bonds Payable	300,000		300,000	
Financing Obligations	340,896		340,896	
Payroll Liabilities				19,452
Total Current Liabilities	640,896		640,896	19,452
Noncurrent Liabilities:				
Bonds Payable	5,975,000		5,975,000	
Financing Obligations	1,496,327		1,496,327	
Total Noncurrent Liabilities	7,471,327		7,471,327	
Total Liabilities	8,112,223		8,112,223	19,452
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	10,428,351		10,428,351	1,263,655
Unrestricted	6,607,296	165,891	6,773,187	625,670
Total Net Assets	\$ 17,035,647	\$ 165,891	\$ 17,201,538	\$ 1,889,325

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**MARSHALL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,494,870	\$ 95,486	\$ 814,426	\$ 112,500
Protection to Persons and Property	2,269,929	1,216,520	225,058	189,438
General Health and Sanitation	3,510,542		1,500	1,610,170
Social Services	234,598			50,000
Recreation and Culture	675,476	43,459		
Roads	2,055,061	8,660	208,767	1,177,481
Other Transportation Facilities	5,958			
Interest on Long-Term Debt	369,242			
Capital Projects	80,000			
Total Governmental Activities	15,695,676	1,364,125	1,249,751	3,139,589
Business-type Activities:				
Jail Canteen	28,756	91,823		
Total Business-type Activities	28,756	91,823		
Total Primary Government	\$ 15,724,432	\$ 1,455,948	\$ 1,249,751	\$ 3,139,589
Component Units:				
Marshall County Refuse Disposal District	2,075,998			
Total Component Units	\$ 2,075,998	\$ 0	\$ 0	\$ 0

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Bank Shares  
Occupational Taxes  
Other Taxes

911 Fees

In Lieu Of Tax

Donations

Excess Fees

Reimbursements

Miscellaneous Revenues

Transfers

Interest Earned

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**MARSHALL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Marshall County Refuse Disposal District
\$ (5,472,458)	\$	\$ (5,472,458)	\$
(638,913)		(638,913)	
(1,898,872)		(1,898,872)	
(184,598)		(184,598)	
(632,017)		(632,017)	
(660,153)		(660,153)	
(5,958)		(5,958)	
(369,242)		(369,242)	
(80,000)		(80,000)	
(9,942,211)		(9,942,211)	
	63,067	63,067	
	63,067	63,067	
(9,942,211)	63,067	(9,879,144)	
			(2,075,998)
			(2,075,998)
1,429,815		1,429,815	
168,536		168,536	
281,574		281,574	
101,082		101,082	
4,755,773		4,755,773	
261,687		261,687	1,529,257
260,479		260,479	
1,260,218		1,260,218	
60,885		60,885	
294,215		294,215	
209,200		209,200	53,471
73,826		73,826	
11,500	(11,500)		429,324
108,402		108,402	7,906
9,277,192	(11,500)	9,265,692	2,019,958
(665,019)	51,567	(613,452)	(56,040)
17,700,666	114,324	17,814,990	1,945,365
\$ 17,035,647	\$ 165,891	\$ 17,201,538	\$ 1,889,325

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**MARSHALL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Federal Grant Fund</b>	<b>Occupational Tax Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 657,772	\$ 142,459	\$ 17,825	\$ 937,137	\$ 411,461
Total Assets	<u>657,772</u>	<u>142,459</u>	<u>17,825</u>	<u>937,137</u>	<u>411,461</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	47,626	121	4,761		156,698
Unreserved:					
General Fund	610,146				
Special Revenue Funds		142,338	13,064	937,137	254,763
Capital Projects Fund					
Debt Service Fund					
Total Fund Balances	<u>\$ 657,772</u>	<u>\$ 142,459</u>	<u>\$ 17,825</u>	<u>\$ 937,137</u>	<u>\$ 411,461</u>

The accompanying notes are an integral part of the financial statements.

**MARSHALL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2009**  
**(Continued)**

<b>Occupational Tax Administrator Fund</b>	<b>Public Properties Corporation Justice Center Debt Service Fund</b>	<b>Public Properties Corporation Justice Center Capital Projects Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 3,113,118</u>	<u>\$ 18,516</u>	<u>\$ 1,125,917</u>	<u>\$ 168,091</u>	<u>\$ 6,592,296</u>
<u>3,113,118</u>	<u>18,516</u>	<u>1,125,917</u>	<u>168,091</u>	<u>6,592,296</u>
			2,549	211,755
				610,146
3,113,118			165,542	4,625,962
		1,125,917		1,125,917
	18,516			18,516
<u>\$ 3,113,118</u>	<u>\$ 18,516</u>	<u>\$ 1,125,917</u>	<u>\$ 168,091</u>	<u>\$ 6,592,296</u>

**Reconciliation Of The Balance Sheet - Governmental Funds To The Statement of Net Assets:**

Total Fund Balances	\$ 6,592,296
Receivables	15,000
Amounts reported for Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	27,217,521
Accumulated Depreciation	(8,676,947)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due In One Year-Bond And Financing Obligation Principal Payments	(640,896)
Due In More Than One Year-Bond And Financing Obligation Principal Payments	(7,471,327)
Net Assets Of Governmental Activities	<u>\$ 17,035,647</u>

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>	<u><b>Federal Grant Fund</b></u>
<b>REVENUES</b>				
Taxes	\$ 2,242,693	\$	\$	\$
In Lieu Tax Payments	1,260,219			
Excess Fees	294,214			
Licenses and Permits	89,400			
Intergovernmental	612,805	1,439,354	1,314,392	1,610,170
Charges for Services	43,459	8,660	22,500	
Miscellaneous	263,213	4,293	65,769	
Interest	9,594	5,298	1,875	6,605
Total Revenues	<u>4,815,597</u>	<u>1,457,605</u>	<u>1,404,536</u>	<u>1,616,775</u>
<b>EXPENDITURES</b>				
General Government	2,424,678			
Protection to Persons and Property	662,407		1,368,181	
General Health and Sanitation	121,732			2,745,211
Social Services	253,330			
Recreation and Culture	37,163			
Roads		1,202,806		
Other Transportation Facilities				
Debt Service	24,842			
Capital Projects	80,000			
Administration	2,151,038	441,976	498,186	
Total Expenditures	<u>5,755,190</u>	<u>1,644,782</u>	<u>1,866,367</u>	<u>2,745,211</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(939,593)</u>	<u>(187,177)</u>	<u>(461,831)</u>	<u>(1,128,436)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	1,000,000	320,964	211,500	
Transfers To Other Funds	(108,841)			
Governmental Leasing Act Receipts				1,800,000
Total Other Financing Sources (Uses)	<u>891,159</u>	<u>320,964</u>	<u>211,500</u>	<u>1,800,000</u>
Net Change in Fund Balances	(48,434)	133,787	(250,331)	671,564
Fund Balances - Beginning (Restated)	<u>706,206</u>	<u>8,672</u>	<u>268,156</u>	<u>265,573</u>
Fund Balances - Ending	<u><u>\$ 657,772</u></u>	<u><u>\$ 142,459</u></u>	<u><u>\$ 17,825</u></u>	<u><u>\$ 937,137</u></u>

The accompanying notes are an integral part of the financial statements.



**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Occupational Tax Fund</b>	<b>Occupational Tax Administrator Fund</b>	<b>Public Properties Corporation Justice Center Debt Service Fund</b>	<b>Public Properties Corporation Justice Center Capital Projects Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 4,755,773	\$	\$	\$ 260,479	\$ 7,258,945
					1,260,219
					294,214
					89,400
		481,084		143,858	5,601,663
				1,320	75,939
				9,500	342,775
6,067	34,484	279	41,544	2,656	108,402
6,067	4,790,257	481,363	41,544	417,813	15,031,557
372,609	265,692	3,001			3,065,980
30,819				404,982	2,466,389
673,599					3,540,542
					253,330
601,940					639,103
1,635,876					2,838,682
				5,958	5,958
		629,400			654,242
					80,000
160,577				101,184	3,352,961
3,475,420	265,692	632,401		512,124	16,897,187
(3,469,353)	4,524,565	(151,038)	41,544	(94,311)	(1,865,630)
3,500,000		148,590		37,877	5,218,931
	(4,950,000)		(148,590)		(5,207,431)
					1,800,000
3,500,000	(4,950,000)	148,590	(148,590)	37,877	1,811,500
30,647	(425,435)	(2,448)	(107,046)	(56,434)	(54,130)
380,814	3,538,553	20,964	1,232,963	224,525	6,646,426
\$ 411,461	\$ 3,113,118	\$ 18,516	\$ 1,125,917	\$ 168,091	\$ 6,592,296

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**MARSHALL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ (54,130)
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement of Activities The Costs Of Those Assets Are Allocated Over Their Estimated Useful Lives, And Are Reported As Depreciation Expense	
Capital Outlay	2,039,589
Depreciation Expense	(1,099,873)
Assets disposed of, net book value	(41,494)
Receivables Principal Repaid	(11,400)
The Issuance Of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds, While Principal Payments Are Expenses In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However H(e.g. Bonds, Financing Obligations Have No Effect On Net Assets.	
Financing Obligation Proceeds	(1,800,000)
Financing Obligation Payments	17,289
Bond Payments	<u>285,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (665,019)</u></u>

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**





**MARSHALL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Business-Type Activity - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 165,891
Total Current Assets	165,891
<b>Net Assets</b>	
Unrestricted	165,891
Total Net Assets	\$ 165,891

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**MARSHALL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activity - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 91,823
Total Operating Revenues	91,823
<b>Operating Expenses</b>	
Phone Cards	22,300
Inmate Benefit	6,456
Total Operating Expenses	28,756
Operating Income	63,067
<b>Nonoperating Revenues (Expenses)</b>	
Transfer Out	(11,500)
Total Nonoperating Revenues	(11,500)
Change In Net Assets	51,567
Total Net Assets - Beginning	114,324
Total Net Assets - Ending	\$ 165,891

The accompanying notes are an integral part of the financial statements.

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**MARSHALL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**





**MARSHALL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activity - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Canteen Commissions	\$ 91,823
Payments to Vendors	<u>(28,756)</u>
Net Cash Provided By Operating Activities	<u>63,067</u>
<b>Cash Flows From Non Capital Financing Activities</b>	
Transfer Out To Jail Fund	<u>(11,500)</u>
Net Cash Provided By Investing Activities	<u>(11,500)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	51,567
Cash and Cash Equivalents - July 1	<u>114,324</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 165,891</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	<u>\$ 63,067</u>
Net Cash Provided By Operating Activities	<u><u>\$ 63,067</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county prepares its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Marshall County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organizations balances and transactions are reported as though they are part of the county's primary government using the blending method.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Marshall County Public Properties Corporation

The Marshall County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Corporation is blended with Marshall County's financial statements.

Discretely Presented Component Units

The component unit column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

Marshall County Refuse Disposal District

The Marshall County Fiscal Court appoints a voting majority of the Marshall County Refuse Disposal District governing board. The fiscal court is financially accountable and legally obligated for the debt of the refuse district. Financial information for the refuse district is presented discretely within Marshall County's financial statements.

Audited financial statements for the Marshall County Refuse District, a discretely presented component unit, may be requested by contacting the Marshall County Treasurer, 1101 Main Street, P.O. Box 114, Benton, Kentucky 42025.

**C. Marshall County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Marshall County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Marshall County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Federal Grant Fund - The purpose of this fund is to account for federal grant receipts and disbursements.

Occupational Tax Fund - The primary purpose of this fund is to account for the disbursement of occupational tax funds. The primary source of revenue for this fund is transfers from the Occupational Tax Administrator Fund.

Occupational Tax Administrator Fund - This fund is used to account for occupational tax receipts. Occupational tax revenues are recorded in this fund and then transferred to the Occupational Tax Fund.

Public Properties Corporation Justice Center Debt Service Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the Public Properties Corporation, a blended component unit of the fiscal court.

Public Properties Corporation Justice Center Capital Projects Fund – The purpose of this fund is to account for the construction activities of the Public Properties Corporation, a blended component unit of the fiscal court.

The primary government also has the following non-major funds: Emergency 911 Fund, Wireless 911 Fund, and Veterans Van Fund which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Enterprise Fund:**

The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.



**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Public Properties Corporation Justice Center Debt Service and Public Properties Corporation Justice Center Capital Projects Fund are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

**J. Related Organizations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Marshall County Fiscal Court: Marshall County Hospital, Jonathan Creek Water District, Aurora Sewer District, Marshall County Library, North Marshall Water District, Draffenville Sewer District, and Marshall County Cemetery Board.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Marshall County Fiscal Court: Purchase Area Industrial Authority Incorporated; Marshall County-Calvert City Riverport Authority; and Industrial Development Authority.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits of the primary government and the component unit were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Receivables**

**A. Elva/New Harmony/Oak Level Fire District**

The County loaned \$30,000 to the Elva/New Harmony/Oak Level Fire District on July 21, 1999, for the purpose of renovating the Fire Department. Terms of the agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2009, the principal balance due was \$15,000.

**B. Marshall/South Marshall Fire District**

The County loaned \$32,000 to the Marshall/South Marshall Fire District on January 6, 2004, for the purpose of renovating the Fire Department. Terms of the agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2009, the principal balance was paid in full.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,014,232	\$ 48,000	\$	\$ 2,062,232
Total Capital Assets Not Being Depreciated	2,014,232	48,000		2,062,232
Capital Assets, Being Depreciated:				
Buildings	14,182,741	302,117		14,484,858
Vehicles and Equipment	5,043,963	648,735	(213,627)	5,479,071
Infrastructure	4,150,623	1,040,737		5,191,360
Total Capital Assets Being Depreciated	23,377,327	1,991,589	(213,627)	25,155,289
Less Accumulated Depreciation For:				
Buildings	(3,441,810)	(242,579)		(3,684,389)
Vehicles and Equipment	(3,029,554)	(397,528)	172,133	(3,254,949)
Infrastructure	(1,277,843)	(459,766)		(1,737,609)
Total Accumulated Depreciation	(7,749,207)	(1,099,873)	172,133	(8,676,947)
Total Capital Assets, Being Depreciated, Net	15,628,120	891,716	(41,494)	16,478,342
Governmental Activities Capital Assets, Net	\$ 17,642,352	\$ 939,716	\$ (41,494)	\$ 18,540,574

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 222,012
Protection to Persons and Property	188,988
Social Services	5,408
Recreation and Culture	32,704
Roads, Including Depreciation of General Infrastructure Assets	<u>650,761</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,099,873</u>

Capital asset activity for the discretely presented component unit for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Land and Land Improvements	805,287			805,287
Buildings	178,029			178,029
Vehicles and Equipment	998,480	271,955	(148,390)	1,122,045
Total Capital Assets Being Depreciated	1,981,796	271,955	(148,390)	2,105,361
Less Accumulated Depreciation For:				
Land and Land Improvements	(172,190)	(19,132)		(191,322)
Buildings	(42,486)	(3,376)		(45,862)
Vehicles and Equipment	(523,164)	(81,358)		(604,522)
Total Accumulated Depreciation	(737,840)	(103,866)		(841,706)
Capital Assets, Net	\$ 1,243,956	\$ 168,089	\$ (148,390)	\$ 1,263,655

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Marshall County Refuse Disposal District	<u>\$ 103,866</u>
Total Depreciation Expense - Discretely Presented Component Unit	<u>\$ 103,866</u>

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt**

**A. First Mortgage Revenue Bonds, Series 2000**

The Marshall County Public Properties Corporation entered into a bond issue on October 1, 2000, for the purpose of paying the cost of constructing a new county justice center facility and the cost of the issuance of the bonds. The issue amount of the bonds was \$8,005,000. The bonds will mature beginning March 1, 2003. The Administrative Office of the Courts (AOC) will be responsible for 74 percent of the cost of the bonds. The Public Properties Corporation will be responsible for the remaining balance of the cost. The outstanding balance as of June 30, 2009, was \$6,275,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 300,000	\$ 329,437
2011	325,000	313,688
2012	340,000	296,625
2013	360,000	278,775
2014	380,000	259,875
2015-2019	2,255,000	976,500
2020-2023	2,315,000	312,112
Totals	<u>\$ 6,275,000</u>	<u>\$ 2,767,012</u>

**B. Marshall County Caring/Needline Building**

On July 3, 2002, Marshall County Fiscal Court entered into a promissory note agreement with the Bank of Benton for the purchase of an office building. The principal amount was \$114,200 at an effective interest rate of 6.5 percent for a period of twenty years. In return, Marshall County leased the building to the Marshall County Caring/Needline. After an initial payment of \$50,000, which was used as a down payment on the purchase of the property, the Marshall County Caring/Needline has agreed to pay Marshall County Fiscal Court rental payments in amounts equal to the annual loan payments as stipulated in a lease agreement dated July 3, 2002. Upon the retirement of the debt, Marshall County Fiscal Court agrees to transfer the property to the Marshall County Caring/Needline. The outstanding balance of the note as of June 30, 2009 was \$37,223. The Marshall County Caring/Needline has paid additional amounts toward principal, and adjusted future principal and interest requirements are:

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Marshall County Caring/Needline Building (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 3,896	\$
2011	1,700	2,196
2012	1,812	2,084
2013	1,926	1,970
2014	2,059	1,838
2015-2019	12,511	6,971
2020-2023	13,319	2,267
Totals	<u>\$ 37,223</u>	<u>\$ 17,326</u>

**C. Marshall County Waterline Extension #1**

On November 25, 2008, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$500,000 at an effective interest rate of 3.958%. The proceeds from the financing obligation were used to fund the Water Vision 20/20 project. The maturity date of the obligation is July 20, 2013. The balance of the obligation at June 30, 2009 was \$500,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 95,000	\$ 16,687
2011	95,000	14,491
2012	100,000	10,534
2013	105,000	6,367
2014	105,000	1,919
Totals	<u>\$ 500,000</u>	<u>\$ 49,998</u>

**D. Marshall County Waterline Extension #2**

On March 16, 2009, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$1,300,000 at an effective interest rate of 4.038%. The proceeds from the financing obligation were used to fund the Water Vision 20/20 project. The maturity date of the obligation is February 20, 2014. The balance of the obligation at June 30, 2009 was \$1,300,000. Annual debt service requirements to maturity are as follows

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Marshall County Waterline Extension #2 (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 242,000	\$ 46,726
2011	251,000	40,546
2012	260,000	30,297
2013	269,000	19,631
2014	278,000	8,245
Totals	<u>\$ 1,300,000</u>	<u>\$ 145,445</u>

**E. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 6,560,000	\$	\$ 285,000	\$ 6,275,000	\$ 300,000
Financing Obligations	54,512	1,800,000	17,289	1,837,223	340,896
Governmental Activities					
Long-term Liabilities	<u>\$ 6,614,512</u>	<u>\$ 1,800,000</u>	<u>\$ 302,289</u>	<u>\$ 8,112,223</u>	<u>\$ 640,896</u>

**Note 6. Related Party Transactions**

**A. Timber Bridge Company**

The Marshall County Fiscal Court entered into a construction contract with Timber Bridge of Kentucky for the construction of a bridge. County Judge Executive Mike Miller is employed as a salesman for Timber Bridge of Kentucky. Marshall County Fiscal paid Timber Bridge of Kentucky \$96,479.57 during FYE June 30, 2009.

**B. Magic Valley BBQ**

The Marshall County Fiscal Court entered into catering transactions Magic Valley BBQ. County Attorney Jeff Edwards owns an interest in Magic Valley BBQ. Marshall County Fiscal paid Magic Valley BBQ \$550 during FYE June 30, 2009.

**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 7. Employee Retirement System**

The fiscal court and the Marshall County Refuse Disposal District, a discretely presented component unit, elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Insurance**

For the fiscal year ended June 30, 2009, Marshall County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 9. Landfill Closure and Post-Closure Costs**

In 2002, the legislature passed House Bill No. 174 that among other things, provided for state assumption of responsibility for the costs of closure and remedial obligations for inactive solid waste landfills that ceased accepting waste prior to July 1, 1992. This is implemented as amendments to KRS 244, Subchapter 43. The Kentucky Division of Waste Management (Division) has determined that the Marshall County Landfill qualifies under this program for state assistance. However, as a necessary condition for performing this work, the Division required a legal right of entry granting permission for assessment and construction activities on the subject property. On February 8, 2005, the Marshall County Judge/Executive signed the right of entry to the Commonwealth of Kentucky and it's authorized agents the right to enter upon this land for the purpose of performing such activities

**Note 10. Prior Period Adjustment**

The prior year governmental net asset ending balance has been restated for the following:

	<u>Governmental Activities</u>	
Net Assets Ending Balance-Prior Year	\$	19,579,787
Plus:		
Jail Fund Prior Year Voided Checks	\$	709
Occupational Tax Administrator Fund Prior Year Voided Checks		412
Rounding error		<u>2</u>
		1,123
Less:		
Capital Assets Included In Prior Year In Error		(389,698)
Construction In Progress Included in Prior Year In Error		(1,346,781)
Accumulated Depreciation Erroneously Included In Prior Year		<u>6,235</u>
		(1,730,244)
Less:		
Payroll Balance Error Included In General Fund Prior Year Cash Balance		(150,000)
Net Assets as of 6-30-08-Restated	\$	<u><u>17,700,666</u></u>

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**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 2,198,050	\$ 2,198,050	\$ 2,242,693	\$ 44,643
In Lieu Tax Payments	1,025,000	1,025,000	1,260,219	235,219
Excess Fees	280,000	280,000	294,214	14,214
Licenses and Permits	95,000	95,000	89,400	(5,600)
Intergovernmental Revenue	264,400	264,400	612,805	348,405
Charges for Services	300,000	300,000	43,459	(256,541)
Miscellaneous	218,000	218,000	263,213	45,213
Interest	25,000	25,000	9,594	(15,406)
Total Revenues	4,405,450	4,405,450	4,815,597	410,147
<b>EXPENDITURES</b>				
General Government	2,092,250	2,580,278	2,424,678	155,600
Protection to Persons and Property	465,100	754,836	662,407	92,429
General Health and Sanitation	160,300	174,927	121,732	53,195
Social Services	430,500	495,570	253,330	242,240
Recreation and Culture	16,000	37,841	37,163	678
Debt Service	153,000	177,842	24,842	153,000
Capital Projects	75,000	80,000	80,000	
Administration	2,813,300	2,355,869	2,151,038	204,831
Total Expenditures	6,205,450	6,657,163	5,755,190	901,973
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	(1,800,000)	(2,251,713)	(939,593)	1,312,120
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	1,000,000	1,000,000	1,000,000	
Transfers to Other Funds			(108,841)	(108,841)
Total Other Financing Sources (Uses)	1,000,000	1,000,000	891,159	(108,841)
Net Changes in Fund Balance	(800,000)	(1,251,713)	(48,434)	1,203,279
Fund Balance - Beginning (Restated)	800,000	800,000	706,206	(93,794)
Fund Balance - Ending	\$ 0	\$ (451,713)	\$ 657,772	\$ 1,109,485

**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,238,900	\$ 1,238,900	\$ 1,439,354	\$ 200,454
Charges for Services	21,100	21,100	8,660	(12,440)
Miscellaneous	11,000	11,000	4,293	(6,707)
Interest	11,000	11,000	5,298	(5,702)
Total Revenues	1,282,000	1,282,000	1,457,605	175,605
<b>EXPENDITURES</b>				
Roads	1,098,100	1,207,661	1,202,806	4,855
Administration	463,900	480,786	441,976	38,810
Total Expenditures	1,562,000	1,688,447	1,644,782	43,665
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	(280,000)	(406,447)	(187,177)	219,270
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	200,000	200,000	320,964	120,964
Total Other Financing Sources (Uses)	200,000	200,000	320,964	120,964
Net Changes in Fund Balance	(80,000)	(206,447)	133,787	340,234
Fund Balance - Beginning	80,000	80,000	8,672	(71,328)
Fund Balance - Ending	\$ 0	\$ (126,447)	\$ 142,459	\$ 268,906

**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,603,000	\$ 1,603,000	\$ 1,314,392	\$ (288,608)
Charges for Services	30,000	30,000	22,500	(7,500)
Miscellaneous	33,000	33,000	65,769	32,769
Interest	9,000	9,000	1,875	(7,125)
 Total Revenues	 1,675,000	 1,675,000	 1,404,536	 (270,464)
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,474,500	1,557,166	1,368,181	188,985
Administration	605,500	609,364	498,186	111,178
 Total Expenditures	 2,080,000	 2,166,530	 1,866,367	 300,163
 Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	 (405,000)	 (491,530)	 (461,831)	 29,699
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	300,000	300,000	211,500	(88,500)
 Total Other Financing Sources (Uses)	 300,000	 300,000	 211,500	 (88,500)
 Net Changes in Fund Balance	 (105,000)	 (191,530)	 (250,331)	 (58,801)
Fund Balance - Beginning (Restated)	105,000	105,000	268,156	163,156
 Fund Balance - Ending	 \$ 0	 \$ (86,530)	 \$ 17,825	 \$ 104,355

**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>FEDERAL GRANT FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,273,500	\$ 3,273,500	\$ 1,610,170	\$ (1,663,330)
Interest			6,605	6,605
Total Revenues	3,273,500	3,273,500	1,616,775	(1,656,725)
<b>EXPENDITURES</b>				
General Health and Sanitation	3,525,000	3,606,065	2,745,211	860,854
Total Expenditures	3,525,000	3,606,065	2,745,211	860,854
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	(251,500)	(332,565)	(1,128,436)	(795,871)
<b>OTHER FINANCING SOURCES (USES)</b>				
Governmental Leasing Act Receipts			1,800,000	1,800,000
Total Other Financing Sources (Uses)			1,800,000	1,800,000
Net Changes in Fund Balances	(251,500)	(332,565)	671,564	1,004,129
Fund Balances - Beginning	251,500	251,500	265,573	14,073
Fund Balances - Ending	\$ 0	\$ (81,065)	\$ 937,137	\$ 1,018,202



**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>OCCUPATIONAL TAX FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Interest	\$ 5,000	\$ 5,000	\$ 6,067	\$ 1,067
Total Revenues	5,000	5,000	6,067	1,067
<b>EXPENDITURES</b>				
General Government	53,800	385,608	372,609	12,999
Protection to Persons and Property		30,819	30,819	
General Health and Sanitation	1,300,000	930,000	673,599	256,401
Recreation and Culture	625,000	649,261	601,940	47,321
Roads	1,995,800	1,905,590	1,635,876	269,714
Administration	180,400	181,757	160,577	21,180
Total Expenditures	4,155,000	4,083,035	3,475,420	607,615
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	(4,150,000)	(4,078,035)	(3,469,353)	608,682
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	3,600,000	3,600,000	3,500,000	(100,000)
Total Other Financing Sources (Uses)	3,600,000	3,600,000	3,500,000	(100,000)
Net Changes in Fund Balances	(550,000)	(478,035)	30,647	508,682
Fund Balances - Beginning	550,000	550,000	380,814	(169,186)
Fund Balances - Ending	\$ 0	\$ 71,965	\$ 411,461	\$ 339,496

**MARSHALL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>OCCUPATIONAL TAX ADMINISTRATOR FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 3,700,000	\$ 3,700,000	\$ 4,755,773	\$ 1,055,773
Interest	65,000	65,000	34,484	(30,516)
Total Revenues	3,765,000	3,765,000	4,790,257	1,025,257
<b>EXPENDITURES</b>				
General Government	500,000	433,966	265,692	168,274
Administration	600,000			
Total Expenditures	1,100,000	433,966	265,692	168,274
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	2,665,000	3,331,034	4,524,565	1,193,531
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(5,100,000)	(5,100,000)	(4,950,000)	150,000
Total Other Financing Sources (Uses)	(5,100,000)	(5,100,000)	(4,950,000)	150,000
Net Changes in Fund Balances	(2,435,000)	(1,768,966)	(425,435)	1,343,531
Fund Balances - Beginning (Restated)	2,435,000	2,435,000	3,538,553	1,103,553
Fund Balances - Ending	\$ 0	\$ 666,034	\$ 3,113,118	\$ 2,447,084

**MARSHALL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**MARSHALL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**



**MARSHALL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Emergency 911 Fund</b>	<b>Wireless 911 Fund</b>	<b>Veteran's Van Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 121,612	\$ 41,559	\$ 4,920	\$ 168,091
Total Assets	<u>121,612</u>	<u>41,559</u>	<u>4,920</u>	<u>168,091</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	2,549			2,549
Unreserved:				
Special Revenue Funds	<u>119,063</u>	<u>41,559</u>	<u>4,920</u>	<u>165,542</u>
Total Fund Balances	<u>\$ 121,612</u>	<u>\$ 41,559</u>	<u>\$ 4,920</u>	<u>\$ 168,091</u>

The notes to the financial statements are an integral part of this statement.

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**For The Year Ended June 30, 2009**



**MARSHALL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Emergency 911 Fund</b>	<b>Wireless 911 Fund</b>	<b>Veteran's Van Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 260,479	\$	\$	\$ 260,479
Intergovernmental		143,858		143,858
Charges for Services	1,320			1,320
Miscellaneous			9,500	9,500
Interest	2,640		16	2,656
	<u>264,439</u>	<u>143,858</u>	<u>9,516</u>	<u>417,813</u>
Total Revenues				
<b>EXPENDITURES</b>				
Protection to Persons and Property	251,043	153,939		404,982
Other Transportation Facilities and Services			5,958	5,958
Administration	59,564	41,620		101,184
	<u>310,607</u>	<u>195,559</u>	<u>5,958</u>	<u>512,124</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>(46,168)</u>	<u>(51,701)</u>	<u>3,558</u>	<u>(94,311)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	<u>37,877</u>			<u>37,877</u>
Total Other Financing Sources (Uses)	<u>37,877</u>			<u>37,877</u>
Net Change in Fund Balances	(8,291)	(51,701)	3,558	(56,434)
Fund Balances - Beginning	<u>129,903</u>	<u>93,260</u>	<u>1,362</u>	<u>224,525</u>
Fund Balances - Ending	<u>\$ 121,612</u>	<u>\$ 41,559</u>	<u>\$ 4,920</u>	<u>\$ 168,091</u>

The notes to the financial statements are an integral part of this statement.

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**MARSHALL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2009**



**MARSHALL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Delta Regional Authority</u>		
Delta Area Economic Development Program (CFDA #90.201)		\$ 78,315
<u>U.S. Election Commission</u>		
Passed-Through State Board of Elections: Help America Vote Act (CFDA #90.401)	N/A	112,500
<u>U.S. Environmental Protection Agency</u>		
Passed-Through State-Department for Environmental Protection: Special Purpose Program- Special Appropriations Grant (CFDA #66.606 )	XP-95404408	124,933
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs: Disaster Grants-Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	FEMA-1818 DR KY	621,768
Emergency Management Performace Grants (CFDA #97.042)		7,682
Total U.S. Department Of Homeland Security		<u>629,450</u>
Total Expenditures of Federal Awards		<u>\$ 945,198</u>

The notes to the financial statements are an integral part of this statement.

**MARSHALL COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2009**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

**Report On Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 8, 2010. Our report was modified to include a reference to other auditors. Marshall County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Marshall County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marshall County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of Marshall County's financial statements that is more than inconsequential will not be prevented or detected by Marshall County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-02 and 2009-03 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Marshall County's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Marshall County's financial statements for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the schedule of findings and questioned costs as items 2009-01, 2009-04, and 2009-05.

The Marshall County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Marshall County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

July 8, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Marshall County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Marshall County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over compliance.



Report On Compliance with Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen  
Auditor of Public Accounts

July 8, 2010



**MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2009**



**MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2009**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County.
2. Two significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report. These deficiencies are considered to be material weaknesses.
3. Three instances of noncompliance material to the financial statements of Marshall County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards program are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards program for Marshall County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program for Marshall County reported in Part D of this schedule.
7. The program tested as major program was: Disaster Grants-Public Assistance (Presidentially Declared Disasters (CFDA# 97.036)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Marshall County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2009-1    The Fiscal Court Has A Deficit Of \$42,818 In The Payroll Fund Due To Paying The Sheriff's Payroll**

The Department for Local Government's Budget manual states that the Treasurer should only countersign checks when sufficient fund balance and adequate cash is in the bank to cover the check. The Treasurer pays the Sheriff's payroll out of the County's Payroll Account when there are insufficient funds in the account to cover all liabilities. The Sheriff submits his bi-weekly payroll for payment by the Treasurer but the Sheriff does not provide adequate funds to cover the cost of payroll at the same time. The Sheriff only makes partial payments to the Payroll Account for his payroll expenses. The Sheriff does, however, submit a large payment to the payroll account at the end of the calendar year to make up the deficit. The effect of the payment of the Sheriff's payroll is that the County is using cash that is due to someone else to cover current period cash outflows for the Sheriff's payroll. We recommend the fiscal court require the Sheriff to pay his portion of the payroll when due, or incorporate the Sheriff's deputies into the county budget through a line item in the General Fund or require the Sheriff to "fee pool" where the county would pay all of the Sheriff's operating expenses and the Sheriff would remit excess fees monthly rather than at year end. Any of these would alleviate the deficit in the payroll account by providing the funds necessary to pay the payroll expenses on an ongoing basis and also keep the Treasurer in compliance with the Department for Local Government requirements

*Judge/Executive's Response: The County Judge/Executive will review this issue with the Fiscal Court to explore options for a solution.*

**MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

2009-2 The Fiscal Court Lacks Of Adequate Segregation Of Duties

During our evaluation of internal controls, we noted that a lack of segregation of duties exists over the following accounting functions: receipts collection and processing, record-keeping, report preparation and reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The treasurer performs all accounting functions over cash and receives, posts, and reconciles revenues as well as preparation of the quarterly financial statements. The Finance Officer performs some of these duties when the Treasurer is not available. There were no documented compensating controls to offset the lack of segregation of duties or reduce the deficiency to less than significant level.

Because a lack of adequate segregation of duties existed for the above-mentioned accounting functions, the following occurred:

- The quarterly financial reports submitted to DLG did not include all debt.
- The payroll account has a deficit.
- Refuse District Funds were deposited into the General Fund

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the fiscal court separate the duties in preparing and depositing receipts, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

*Judge/Executive's Response: We understand that there are new rules regarding internal control that require this comment be included in the audit report. We will review the above suggestions and implement them when we feel that the gain in internal control thru increased segregation of duties outweighs any loss of efficiency.*

2009-3 Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes

During testing of occupational and net profit taxes, we noted that there is no documentation of when tax returns are received, no documentation maintained of delinquent taxpayers, tax returns were missing, occupational/net profit tax receipts were not processed daily and deposits of occupational/net profit taxes were not made daily. The occupational tax administrator maintains all occupational and net profit tax records, prepares deposits, posts receipts and maintains the occupational net profit tax subsidiary ledger. No one else reviews tax collections or postings. We recommend tax forms be stamped with the date received, attached to envelopes received in, occupational tax ledger be printed at year end, occupational tax payer files should be updated, occupational tax returns be processed when received, and collection of delinquent taxes be attempted. These processes should be reviewed by someone other than the occupational tax administrator and the review should be documented.

**MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

2009-3 Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes (Continued)

*Judge/Executive's Response: We do not feel that segregation of duties or internal controls were inadequate during this fiscal year in review. We feel that the issues associated with the Occupational Tax and Net Profits Tax was directly due to software changes and their implementation. However, we will review the above suggestions and put them into action when we feel that the gain in internal control thru increased segregation of duties outweighs any loss of efficiency.*

2009-4 The Jail Commissary Failed To Submit Sales Tax To The Kentucky Department Of Revenue As Required By KRS 139.200

During testing of Jail Commissary expenditures we noted that the jail commissary had not collected or remitted sales tax to the Kentucky Department of Revenue for the sale of telephone cards. KRS 139.200 states: "A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross receipts derived from: (1) Retail sales of: (a) Tangible personal property, regardless of the method of delivery, made within this Commonwealth" which includes "(d) Prepaid calling service". The Department of Revenue has ruled that this tax is applicable to commissary sales. The effect of the non-payment of sales tax is the Jail Commissary now has incurred a tax liability to the Department of Revenue. We recommend the Jailer contact the Department of Revenue to determine the amount of sales tax due for prior year and for the Jail Commissary to remit sales to the Kentucky Department of Revenue monthly as prescribed by KRS 139.550.

*Judge/Executive's Response: The Jailer will contact the Department of Revenue to work out a resolution to this issue.*

*Jailer Roger Ford's Response: We will be contacting the Department of Revenue to make arrangements for payment.*

2009-5 Christmas Bonuses Totaling \$57,603 were paid to Marshall County Employees

The Department of Local Government's Budget manual under "Handling Public Funds, Minimum Requirements Pursuant To KRS 68.210, For All Local Government Officials (And Employees)" states: No bonuses, no prepayment for goods or services, and no contributions. (Section 3, Kentucky Constitution). During testing of payroll, we noted that all employees of Marshall County were given an additional paycheck on December 2, 2008. Per inquiry this was the Christmas Bonus that wasn't a bonus. Lump sum payments averaging one payroll check were given to all employees of Marshall County. At least one of the employees was an occasional employee and still received a bonus of \$600. The Fiscal Court did not approve a salary order, so salaries were never set for employees. We recommend the Fiscal Court discontinue the practice of Christmas bonuses in order to be in compliance with the Department of Local Government's Budget manual and Section 3 of the Kentucky Constitution.

*Response: The County Judge/Executive will review this issue with the Fiscal Court to explore options for a resolution to this matter.*

**MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**  
**(Continued)**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

D. SUMMARY OF PRIOR YEAR FINDINGS

None.

